

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

January 23, 2003

Bipartisan Negative Reactions to the Bush Dividend Plan

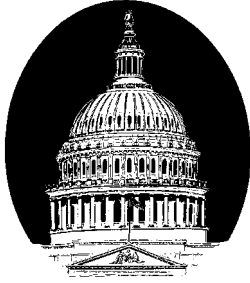
Dear Democratic Colleague,

The tax plan that President Bush has offered as a solution to the economy's current stagnation has not been well received. It is seen as ineffective, because it fails to provide short-term stimulus now when the economy needs it. It also burdens the economy's future with growing budget deficits and debt.

The most recent *Wall Street Journal* poll shows that a plurality of Americans rejects the President's proposal and prefers the House Democratic plan. Indeed, the President's plan has such manifold weaknesses that even members of the Republican party and several business economists have criticized it. The attached compilation of negative reactions gives you some idea just how misguided many responsible commentators believe the Administration's recent tax proposal to be.

Sincerely,

John M. Spratt, Jr.



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“I would not have done it.”

Former Bush Treasury Secretary Paul O’Neill

United States Senators

“[The Bush plan] is heavy; it’s too big. I don’t think it will give us the shot in the arm or rev us up like I think we need to be revved up.”

Senator George Voinovich (R-OH)

“I would like to see more middle-income, low-income Americans get the benefits of a tax cut.”

Senator John McCain (R-AZ)

“As you start to do your arithmetic, there could be problems [with the deficit]....Basically, I’m against any tax cuts until we can get a hold on our spending..”

Senator Lincoln Chaffee (R-RI)

“We may not be able to sell it.”

Senator Charles Grassley (R-IA),
Chairman of the Senate Finance Committee

“At a time of growing federal deficits, it is especially important that this plan be the right size, without putting our future at risk.”

Senator Olympia Snowe (R-ME)

“The package needs a lot of scrutiny. I would have chosen different elements.”

Senator Susan Collins (R-ME)

“In my state of Louisiana,...only about 8 percent of the people are even touched by a tax on dividends...What we heard, I think, is something really astounding, in the sense that Republicans have always talked about the size of the deficit, always wanted to get to a surplus. We finally got to a surplus, and now they’re talking about a deficit not being that big of a problem.”

Senator John Breaux (D-LA)

Outside Economists

“Given all the concerns in the White House and elsewhere about pumping support into a weak economy, this proposal is really mind-blowing. Not just for its contents, but for its lack of stimulus....This isn’t just ‘trickle-down’ economics. The benefits to the rest of the economy, even to the stock market, are so conjectural that ‘trickle-down’ looks to become ‘misting down.’”

Kevin Phillips, author of *Wealth and Democracy*

“It’s a tax reform, rather than an economic stimulus.”

Kevin Hassett,
Resident Scholar at the American Enterprise Institute

“In the long run, [the President and his economists] hope that a dividend tax cut creates a stronger stock market. But in the short run, I think the stimulus gets done faster if you give it to poor people, and a payroll tax cut gives more of it to people who will spend it quickly....If the federal government is borrowing more money, that’s less money for the rest of us to borrow, and that means higher interest rates.”

David Wyss, Chief Economist for Standard & Poor’s DRI

“The collision course is pretty easy to see.”

Diane Swonk, Chief Economist for Bank One Corp.

“[The President’s proposal would] significantly overwhelm the fiscal situation....The next president will have some very difficult decisions to make. We’re heading in the wrong direction.”

Mark Zandi, Chief Economist for Economy.com

“But nonetheless, [budget projections that include the Bush dividend plan] do raise the question of fiscal sustainability.”

Douglas Berner, Chief U.S. Economist for Morgan Stanley